

San Juan County Economic Outlook 2020 and beyond

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San Juan County Auditor
April 28, 2021



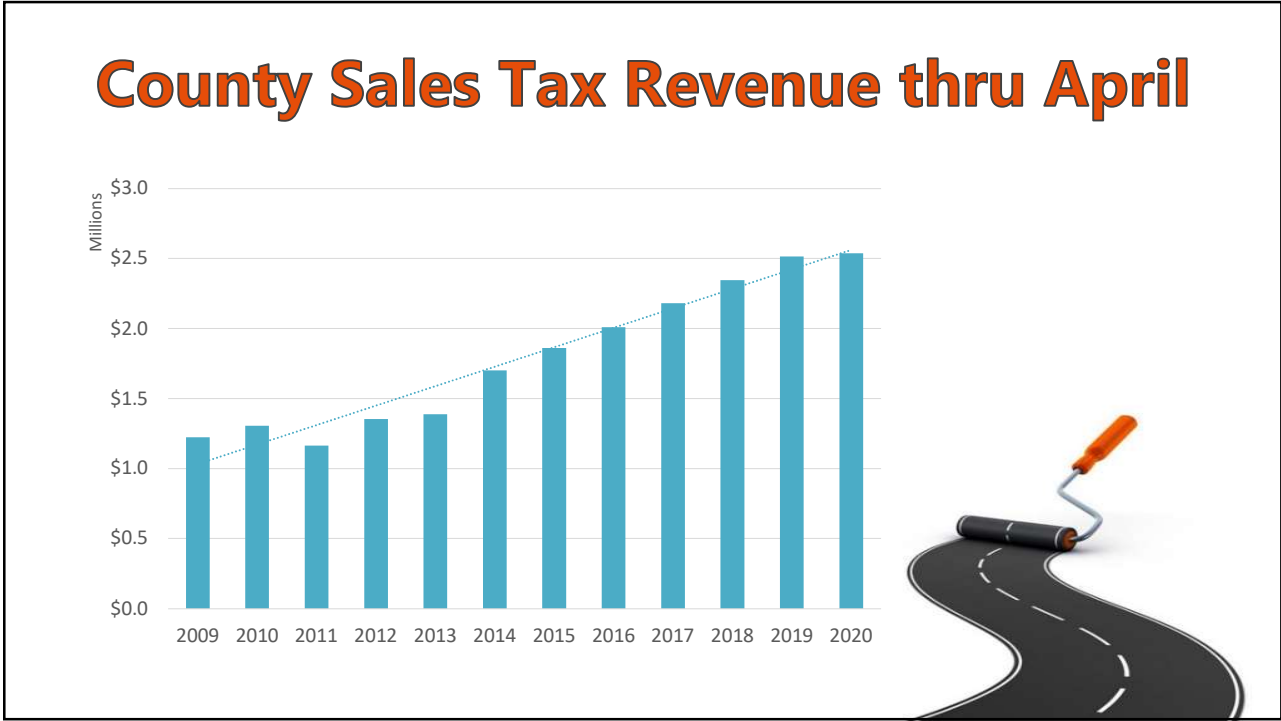
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2020

...started as a year like any other.



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Then the world stopped.

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2020 Whiplash

- Usually, recessions creep us on us
- This one slammed into us
 - March 11 – Large events cancelled
 - March 13 – Statewide schools closed
 - March 15 – Restaurants & bars closed
 - March 23 – Stay-at-Home Order
- 2020 required multiple responses to rapidly changing conditions



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2020 Whiplash

- Based on recent experience, the County anticipated
 - For the economy: Unemployment, business closures, a stagnant real estate market
 - For the County: loss of sales tax revenue, reduced permit applications, reductions in other economy-driven revenues
- Already seeing sales tax reductions and the closure of accommodations, the County
 - Reduced costs
 - Encouraged early retirements



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2020 Whiplash

- But... Federal and State funding stepped in to help
 - Aid to businesses kept some people employed.
 - Enhanced unemployment benefits stabilized laid-off individuals
 - Aid to governments paid for unbudgeted crisis response
- Then... city folk started moving to the country
 - Real estate sales took off
 - Permitting revenue increased rather than declining



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2020 Whiplash

- The world adapted
- Accommodations re-opened in June
- People discovered they could vacation, in a socially-distant way, in the islands
- Amazon replaced other sales tax revenue sources
- Bottom line: the anticipated recession did not happen – at least, it was much milder than anticipated



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A selective recession



- Important: Although the recession was less bad than anticipated, it was brutal to certain industries, including restaurants and entertainment



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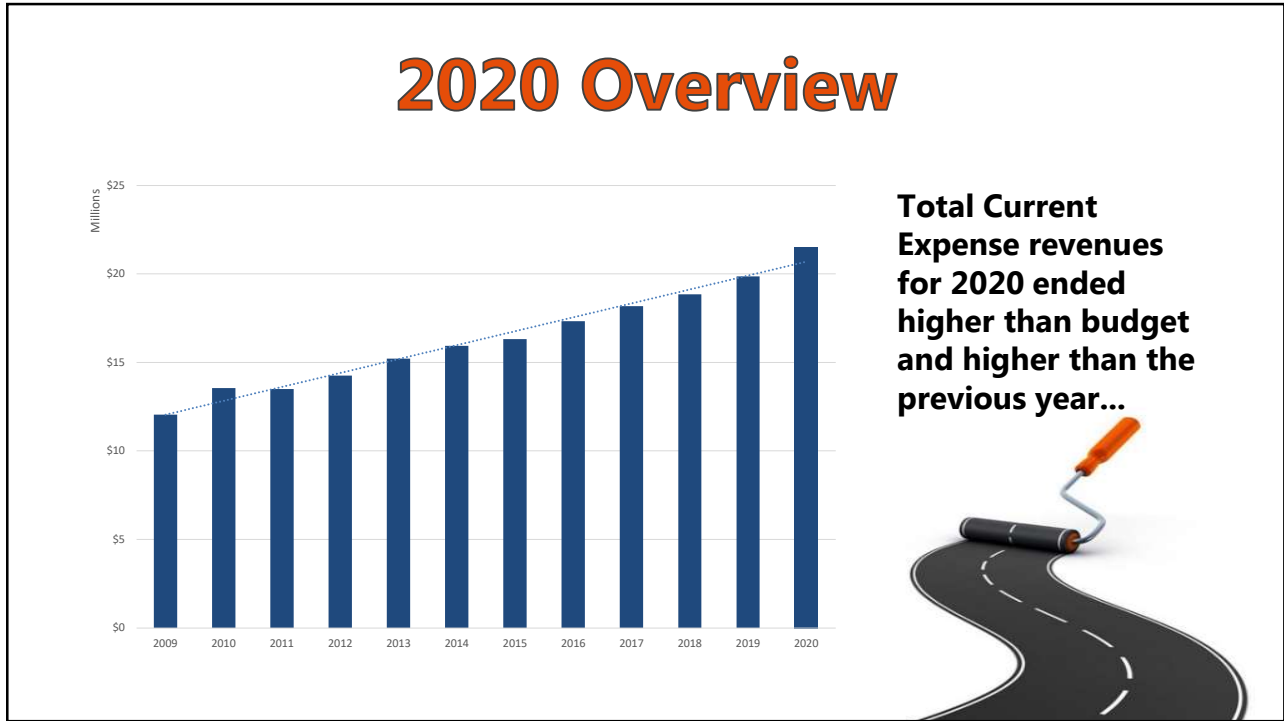


2020

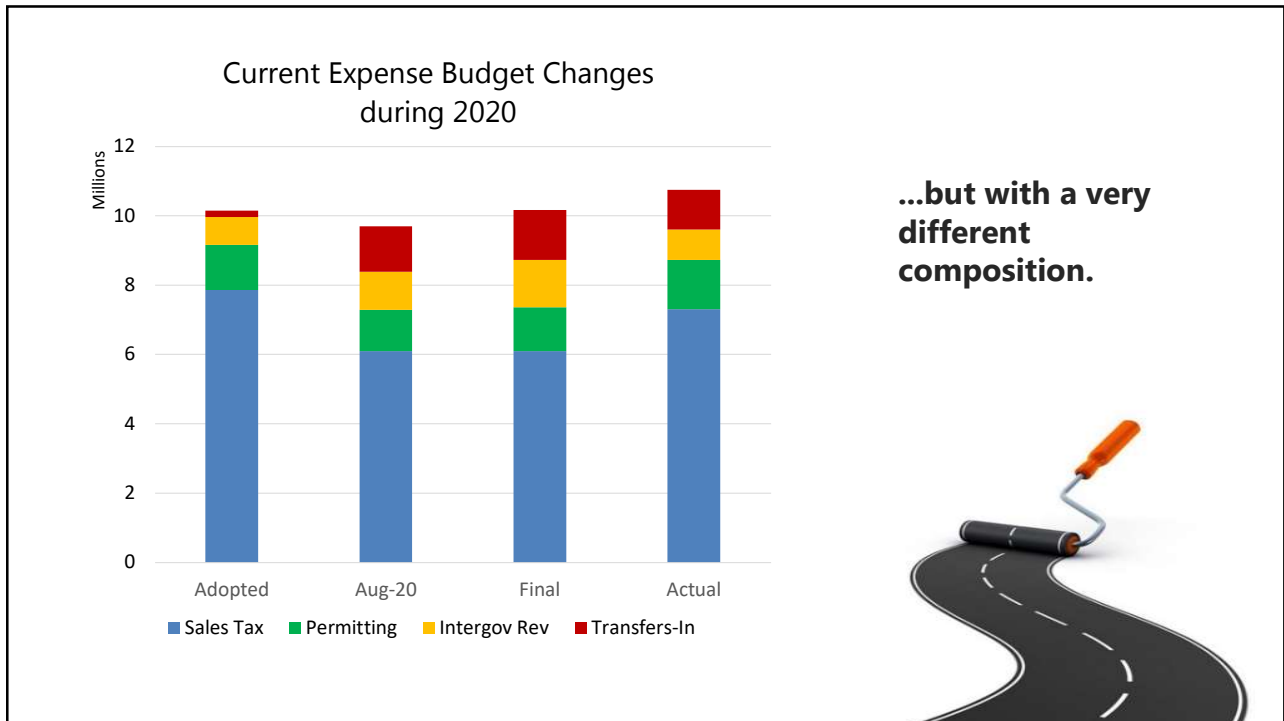
...ended not so different from other years, for the County.



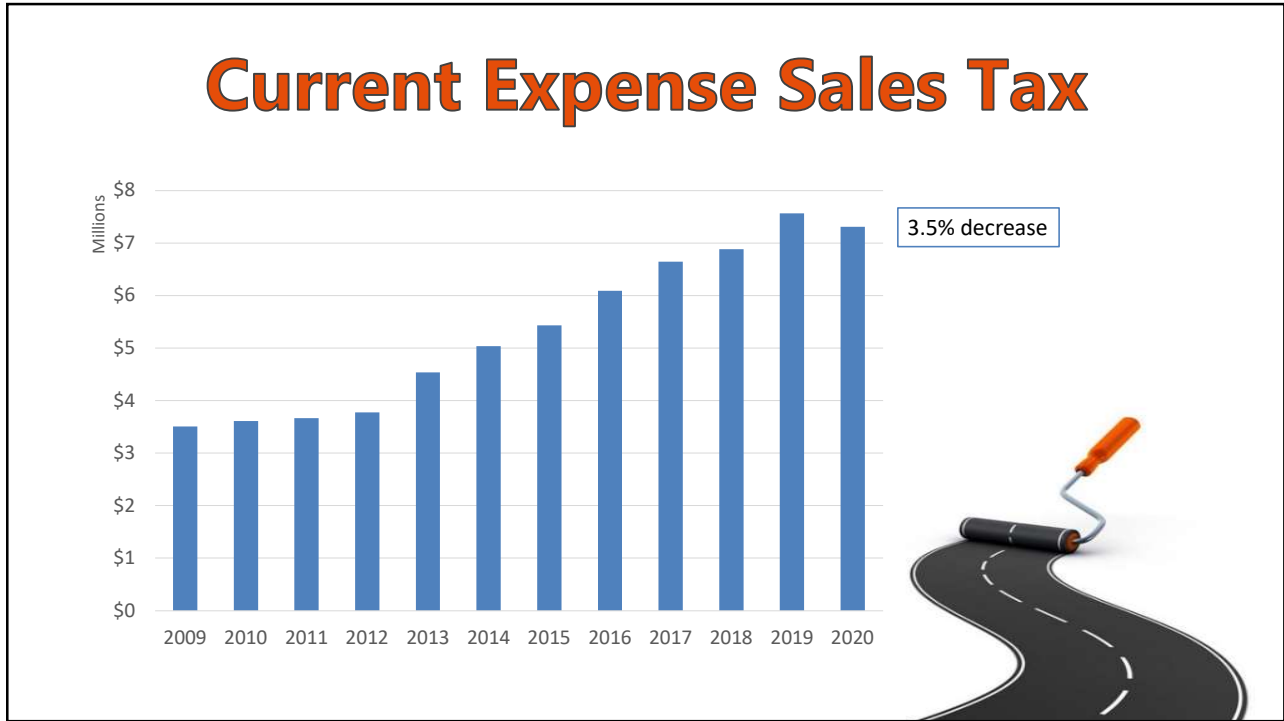
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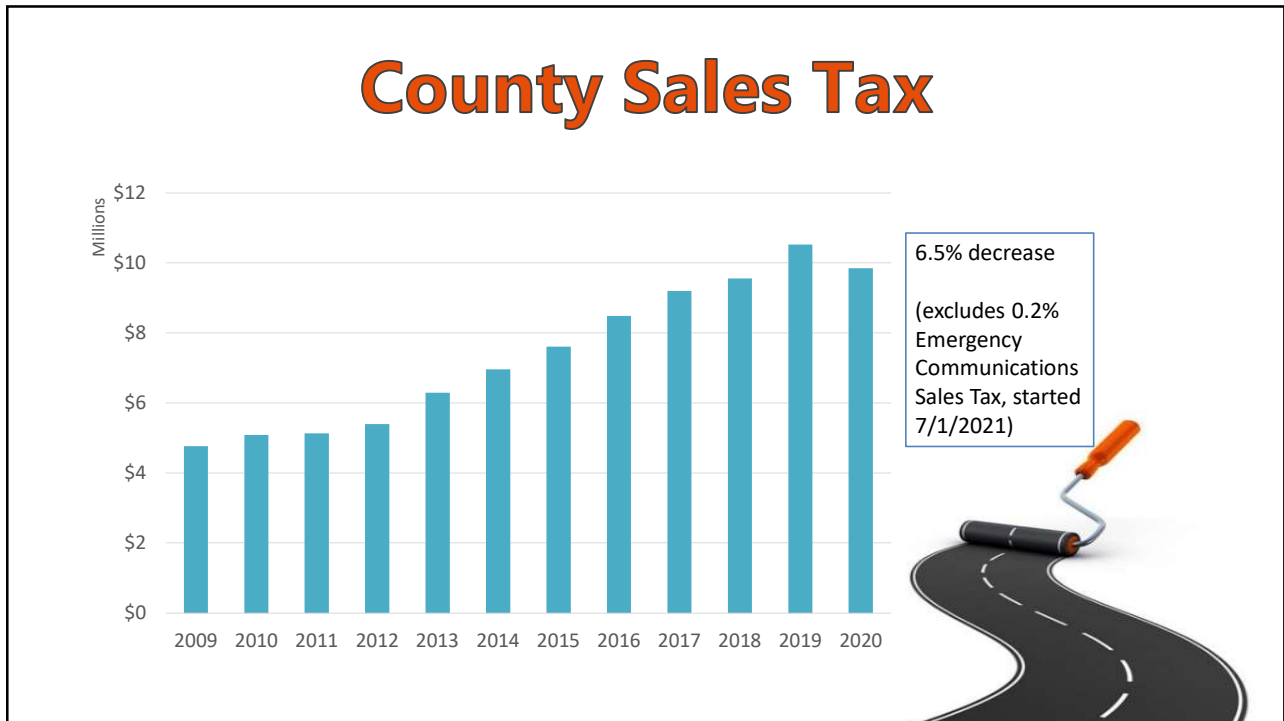
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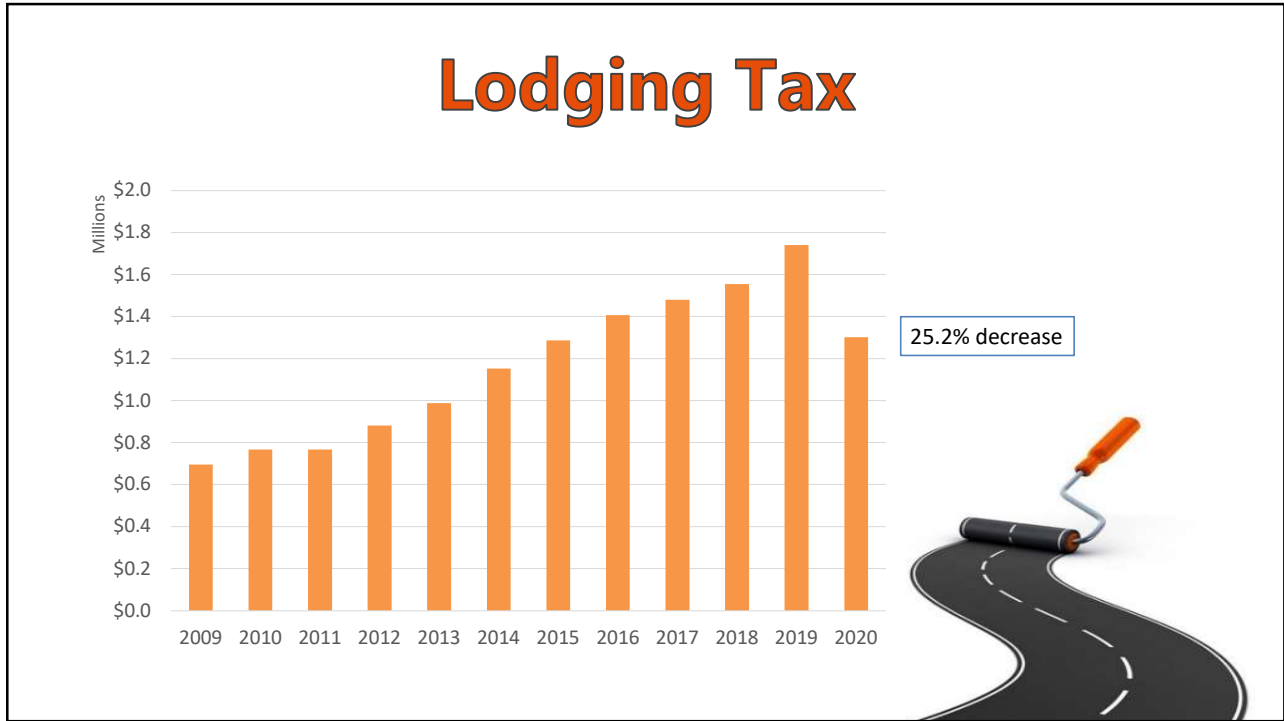
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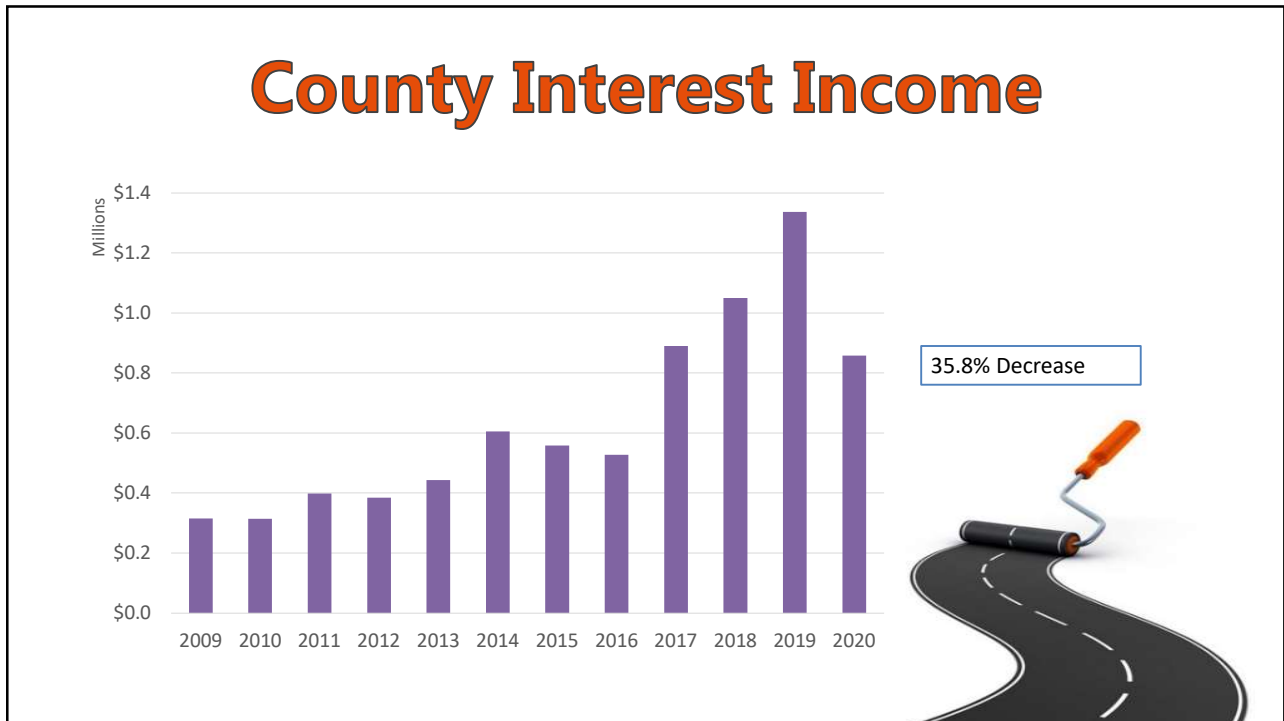
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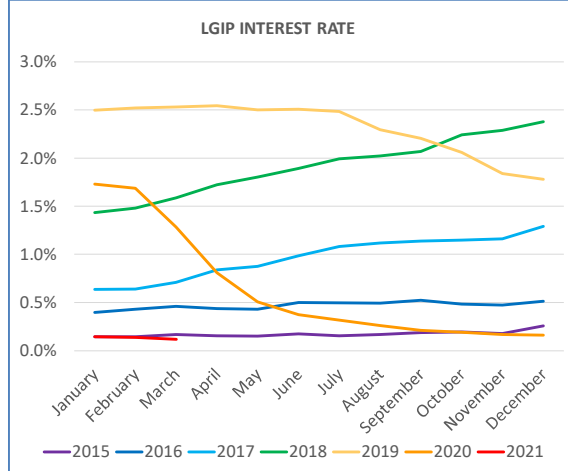
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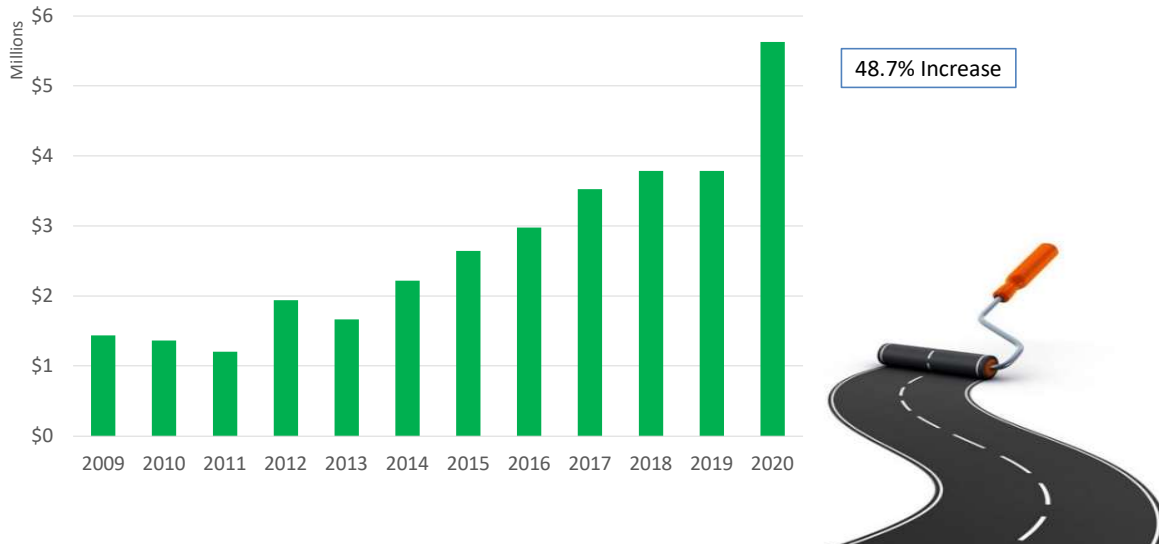
LGIP Interest Rates 2015-2021

Month	2015	2016	2017	2018	2019	2020	2021
Jan	0.146%	0.397%	0.637%	1.436%	2.498%	1.731%	0.145%
Feb	0.145%	0.430%	0.638%	1.481%	2.521%	1.686%	0.139%
Mar	0.168%	0.458%	0.709%	1.585%	2.531%	1.283%	0.119%
April	0.153%	0.438%	0.838%	1.724%	2.545%	0.809%	
May	0.151%	0.432%	0.874%	1.801%	2.500%	0.507%	
June	0.175%	0.500%	0.984%	1.891%	2.508%	0.375%	
July	0.154%	0.497%	1.081%	1.993%	2.485%	0.316%	
Aug	0.166%	0.494%	1.118%	2.022%	2.296%	0.262%	
Sept	0.187%	0.524%	1.137%	2.069%	2.205%	0.212%	
Oct	0.195%	0.482%	1.148%	2.240%	2.058%	0.191%	
Nov	0.176%	0.475%	1.162%	2.289%	1.838%	0.167%	
Dec	0.260%	0.513%	1.291%	2.378%	1.782%	0.162%	

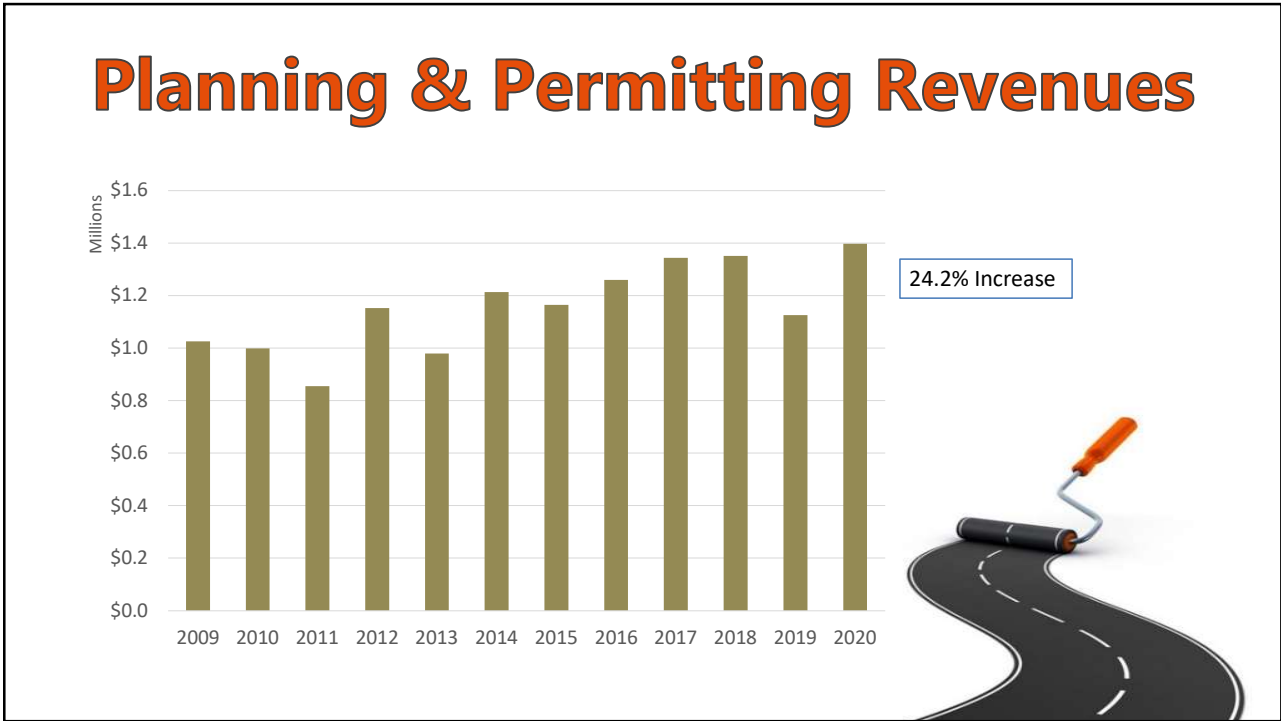


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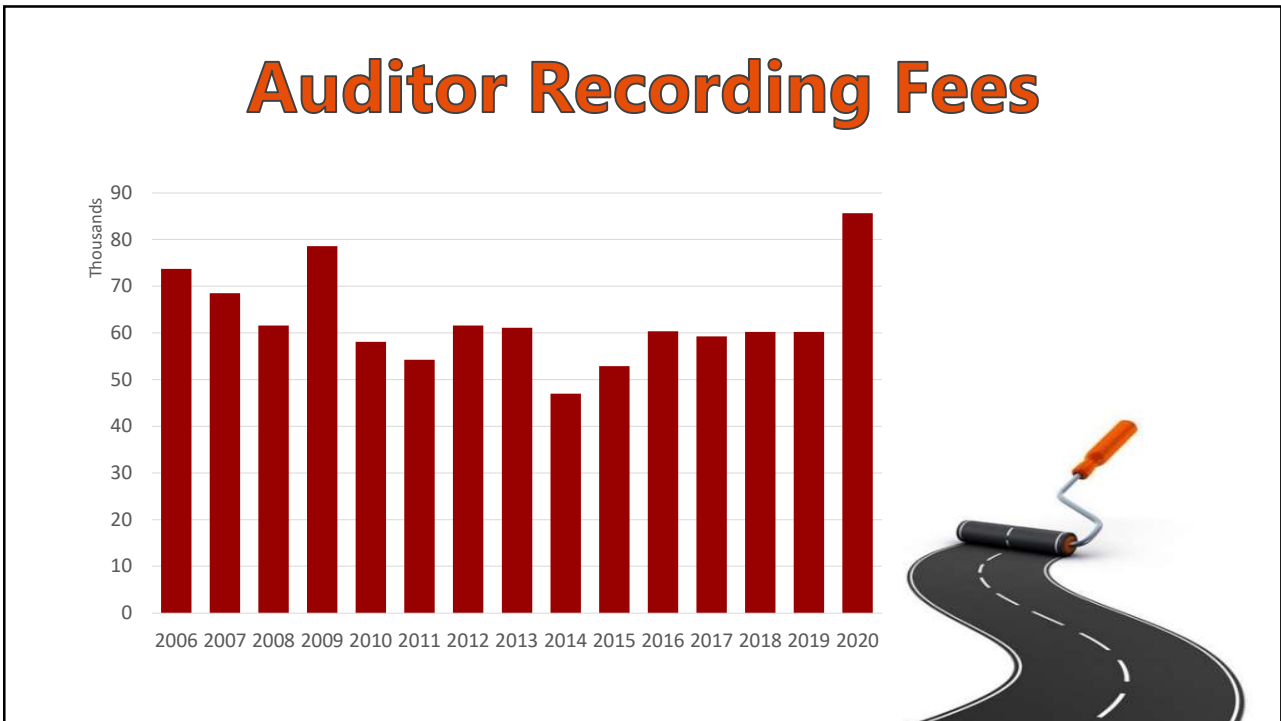
Land Bank REET



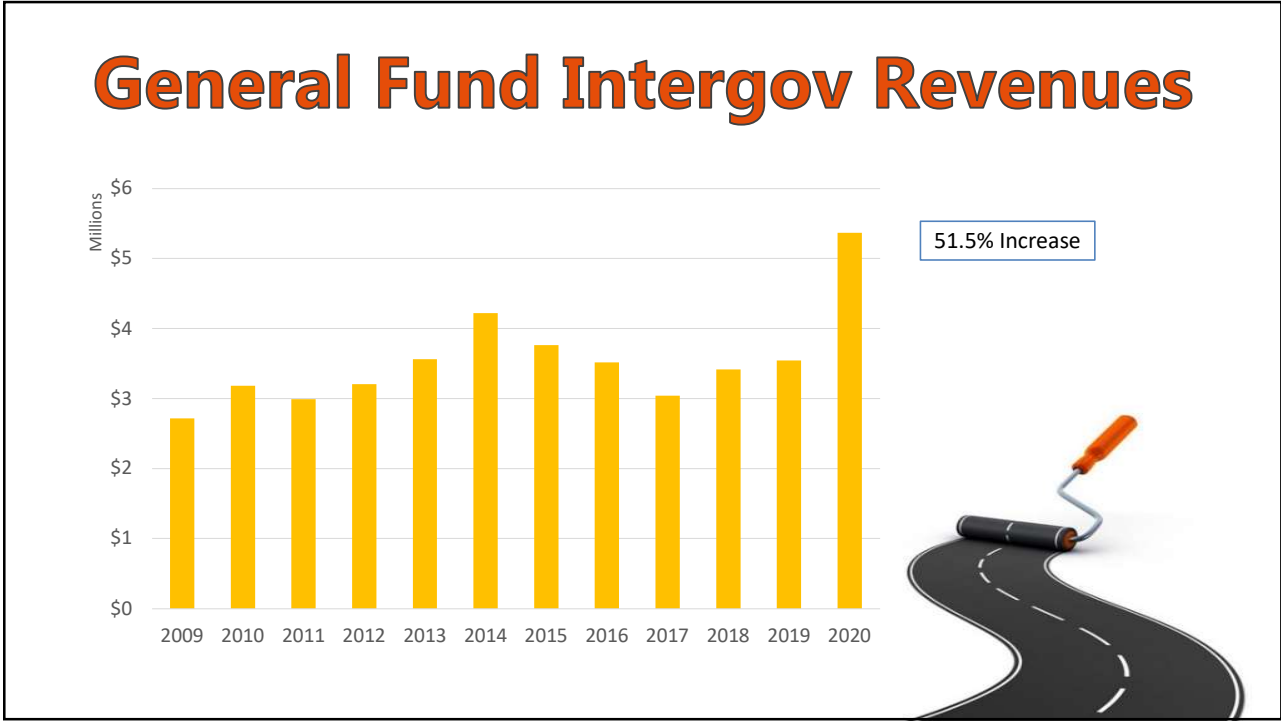
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2021
...holds promise, and concern.

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2021

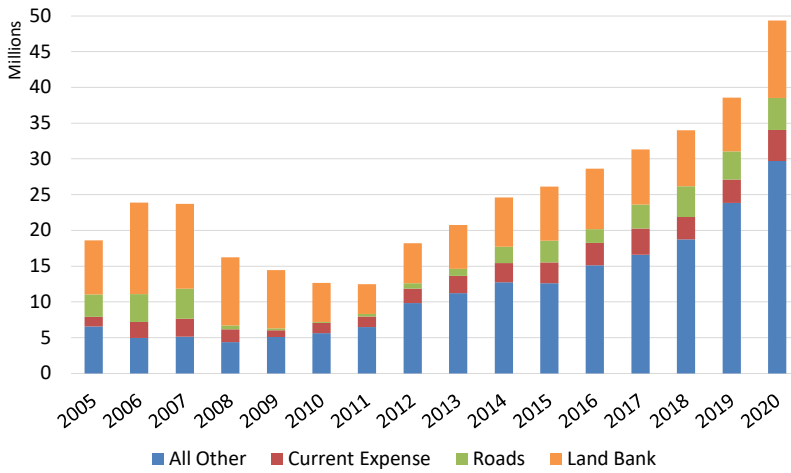


- County budgeted conservatively
- Beginning cash is higher than projected
- Sales tax finished 2020 strong and is starting 2021 strong
- Permitting continues strong
- Real estate market continues to flourish
- 2021 tourism is looking promising

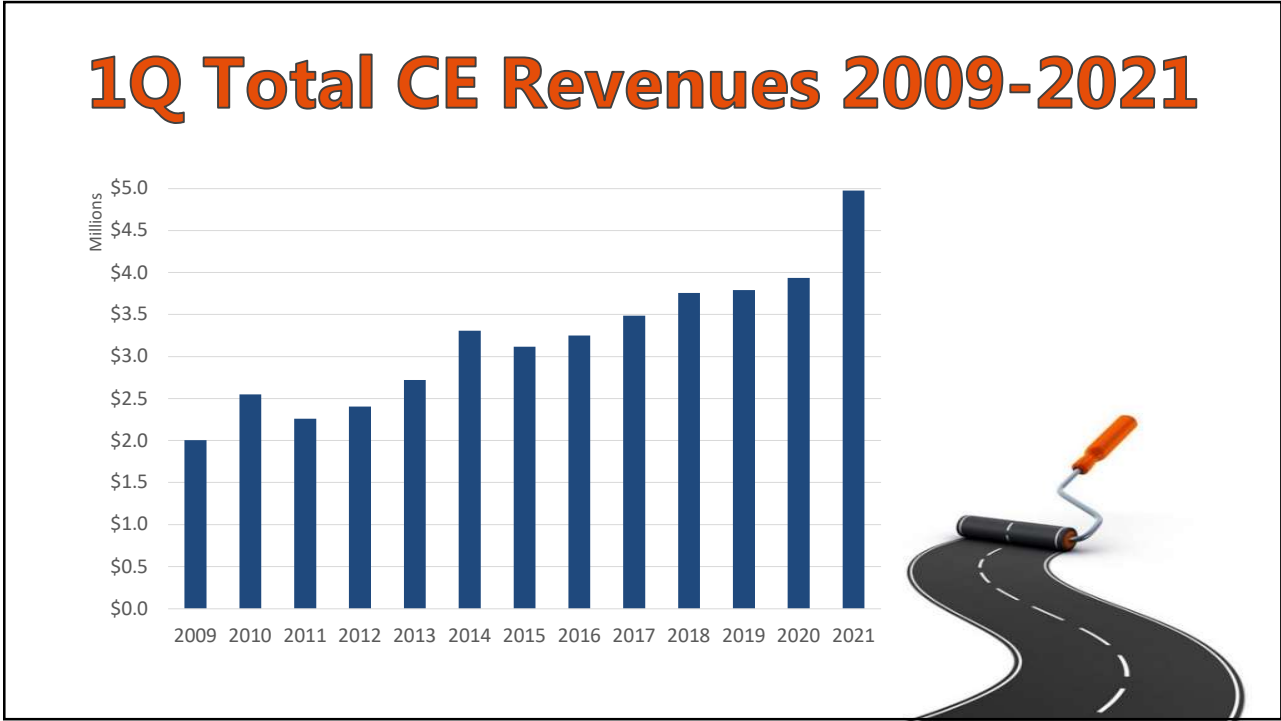


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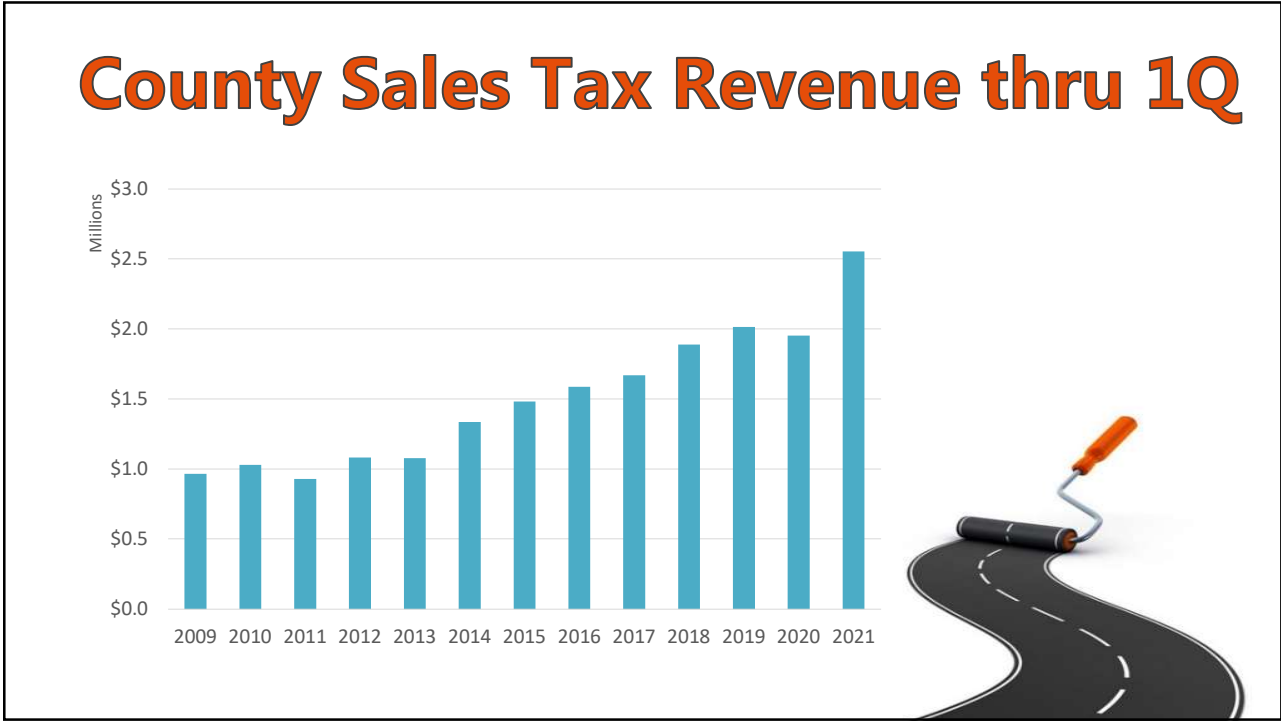
County Ending Cash 2005-2020



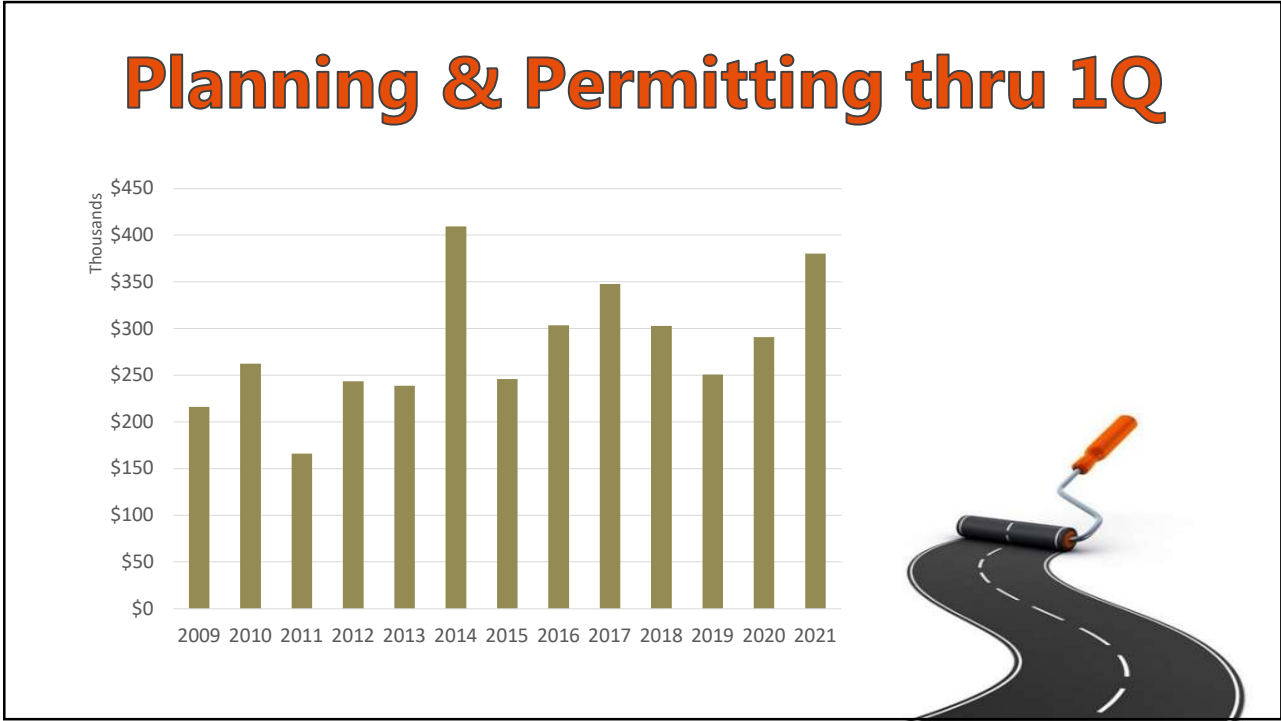
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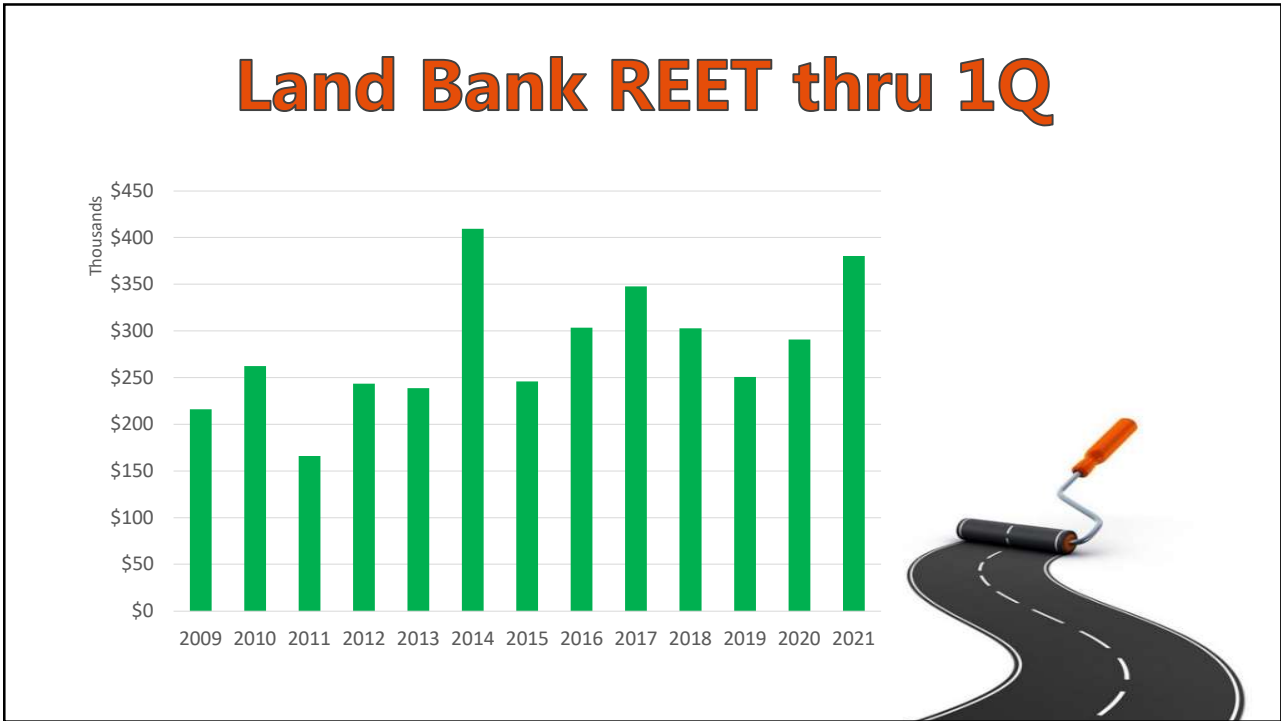
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Real Estate Sales 1Q

	1st Qtr 2020	1st Qtr 2021	% change
San Juan County			
# Sales	95	130	37%
\$ Sales	\$52,766,667	\$80,099,226	52%
San Juan Island			
# Sales	49	62	28%
\$ Sales	\$26,423,788	\$38,744,860	46%



Data courtesy of Merri Ann Simonson, Coldwell Banker

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2020 – What the County did right

- Started a Budget Stabilization Fund in 2009
 - Used it for the first time in 2020
- Took action to
 - Respond to the health crisis
 - Included closing accommodations for about 3 months
 - Reduce the budget
 - Manage the grants well
 - Share CARES grants with County businesses and non-profits



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2020 – What the County did wrong

- We projected a larger recession than happened
 - Economic models are statistical abstractions based on history
 - Not designed to take into account an event such as a global pandemic, which has not happened before
 - Behavioral and epidemiological assumptions are required



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2020 – Where we got lucky

- Unemployment helped individuals
- PPP and other Federal, state, and private programs helped businesses
- Tourism recovered, after accommodations re-opened
- New interest in living remotely fueled real estate market
- Most important, COVID has been well contained locally



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2021 – What's ahead?

- Federal and State governments are continuing to buoy up businesses
- Stimulus payments, unemployment, and other supports are continuing to buoy up individuals
- Stock market has remained strong, supporting those residents who live on investments
- So long as supports continue, economy will continue to thrive – probably another 2-3 years



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County's Priorities

- Continued health initiatives
 - COVID Response
 - Senior Services
 - Vaccinations
 - Prevention
 - Housing
- JEDI (Justice, Equity, Diversity, Inclusion)
- Affordable Housing
- Vacation Rentals
- Comprehensive Plan
 - Climate Change
 - Natural Resource Land Designations
- Facilities
- Getting back in business



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Forecasts



- A recent sales tax analysis for the County forecasts
 - 4.0% growth in sales tax revenue from 2020 to 2021
 - 6.9% growth in sales tax revenue from 2021 to 2022
 - 7.6% growth in sales tax revenue from 2022 to 2023
- ERFC forecasts, for Washington State
 - Rapid growth in 2021, slower thereafter
 - March '21 forecast is higher than Nov '20
- COVID remains the big question mark



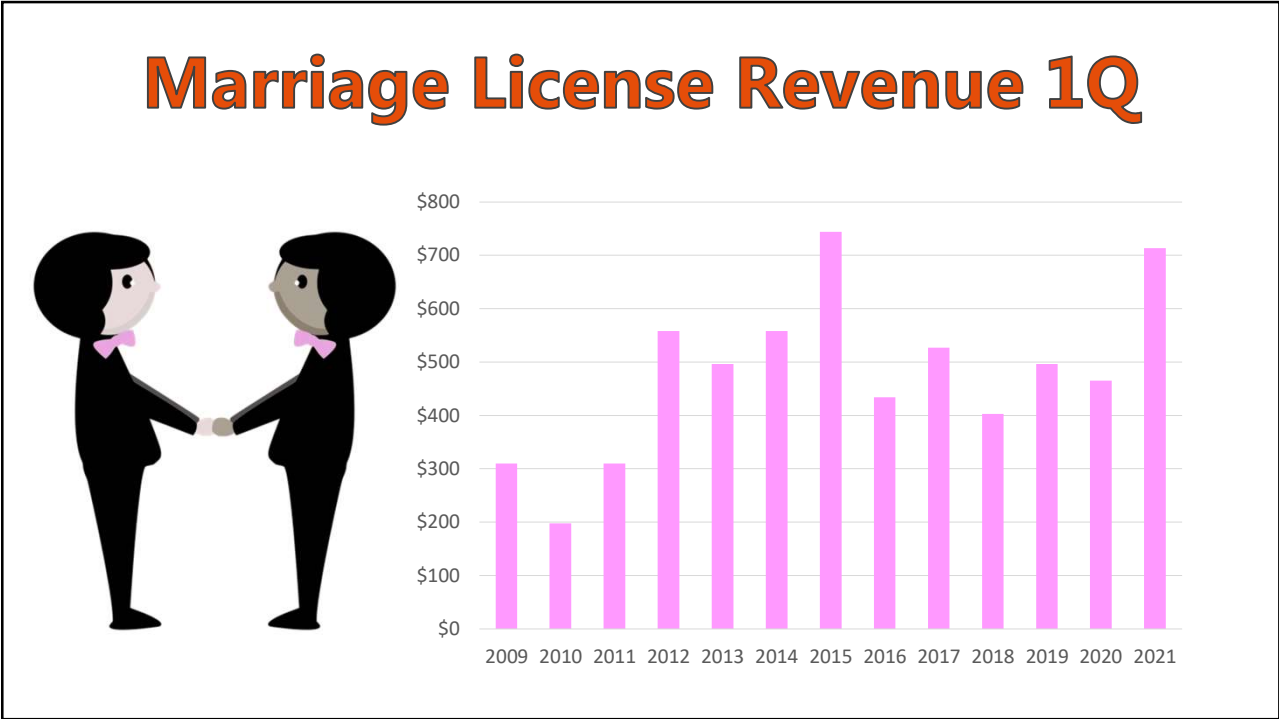
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2021 – Continuing Concerns

- Employment has not recovered to pre-COVID levels
- Restaurants and bars are still operating under severe restrictions
- Some businesses have still not re-opened
- Is the real estate frenzy worsening the affordable housing crisis?



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